



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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August 1, 2016

To: Supervisor Hilda L. Solis, Chair  
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Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: Sachi A. Hamai  
Chief Executive Officer

## **DEVELOPMENT OF A COUNTYWIDE LOCAL WORKER HIRE POLICY BOARD MOTION OF OCTOBER 27, 2015, AGENDA ITEM NO. 21 AND BOARD MOTION OF FEBRUARY 9, 2016, AGENDA ITEM NO. 47-A**

Over the last few months, the Board of Supervisors approved the following motions regarding the development of local worker hire policies:

- On October 27, 2015, the Board instructed the Affordable Housing Coordinating Committee to report back with an assessment of the feasibility of implementing local worker requirements, and requirements for hiring social enterprises in the construction, operation, and maintenance of affordable housing development, and the possibility of requiring certification for affordable housing operation and maintenance employees on capital projects supported by the Affordable Housing Programs Budget Unit.
- On February 9, 2016, the Board directed the Chief Executive Office (CEO), working with County Counsel and the Director of Public Works, to develop a Countywide local worker hiring policy for Board approval that, to the extent possible, applies to all capital projects undertaken as part of this Homeless Initiative, as well as County construction projects with a project budget greater than \$2.5 million. In addition, the policy is to mandate that a minimum percentage of all project hours be performed by disadvantaged workers, including, e.g., homeless or formerly homeless individuals, veterans, and former foster youth.

This memorandum is a response to the Board's motions above with the goal of developing a Countywide local worker hiring policy that applies to all County-sponsored construction projects, which is the common theme between the motions. In a memo sent to the Board

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on July 29, 2016, the Affordable Housing Coordinating Committee indicated that they will address social enterprise hiring in construction, operation, and maintenance of affordable housing in a separate report. To that end, this memorandum provides the following:

- County's Recent Local Worker Hiring Efforts;
- Review of Other Local Worker Hiring Programs;
- Implementation Strategy; and
- Recommendations.

#### County's Recent Local Worker Hiring Efforts

In 2009, the Board authorized a Local Worker Hiring Program policy that established a 40 percent good-faith hiring goal for local residents within a 15-mile radius of the project site for all Job Order Contract projects implemented by the Department of Public Works (Public Works). Since 2010, Public Works has included local worker hiring requirements in 28 design-bid-build and design-build projects. The requirements have typically imposed a 30 percent mandatory or good-faith effort on a project-by-project basis, as determined by the Board, with a two-tiered preference criteria consisting of a 5-mile radius and a second tier of areas with high concentrations of unemployment.

In March 2011, the Board approved a motion directing the Community Development Commission (CDC) to make available to the Board a monthly report for CDC-financed new housing developments of \$10 million or more total project cost, on the retention by contractors of workers living within a 5-mile radius and in communities within Los Angeles County ZIP Codes with unemployment rates exceeding 150 percent of the County average.

In November 2015, the Board approved the Local Worker Hiring Program for Veterans policy, which requires contractors receiving County construction contracts with a value greater than \$2.5 million to make good-faith efforts to reach the goal of 5 percent of California project labor hours being performed by qualified veterans and their spouses.

#### Review of Other Local Worker Hiring Programs

In the development of the County policy for County construction projects, the team tasked with this response, comprised of staff from the CEO, County Counsel, and Public Works, reviewed policies from eight other public agencies, including the Los Angeles County Metropolitan Transit Authority, City of Los Angeles, Los Angeles Unified School District, Los Angeles Community College District, neighboring counties, and the City and County of San Francisco. The team also considered potential policy requirements beyond those specified in the February 9, 2016 Board motion to determine if any would positively impact a greater number of County residents and minimize the impact of the implementation and management of the policy.

The review of the public agencies found that local hiring goals range from 30 to 50 percent with a wide range of definitions for local residency and qualifications. In addition, disadvantaged worker definitions vary in specifics, but follow a similar intent or purpose.

### Implementation Strategy

To date, the County's two local worker hiring policies for County construction projects have been applied solely to projects implemented by Public Works. In addition, local worker hiring goals have been implemented for projects receiving CDC-administered loans for affordable housing developments with a total development cost exceeding \$10 million.

In order to provide maximum benefit to County residents, it is the team's recommendation that a uniform Countywide policy be adopted and extended to County construction projects delivered by all County departments and agencies.

The team also collaborated with the Affordable Housing Coordinating Committee to assess the feasibility of extending uniform policies to affordable housing. The result of this collaboration is that affordable housing projects should have a local hire goal based on best efforts because of the unique nature of the CDC's participation as a lender to such projects. In affordable housing, the CDC does not directly contract with vendors or firms for goods and services. Instead, the CDC makes loans to affordable housing developers, who then contract with general contractors, subcontractors, architects, engineers, and other professional firms to carry out the projects. These projects are complex and often have multiple sources of funds, including federal funds. These federal funds do not permit preference programs other than those stipulated by that fund, but they do allow for a local hire program based on best efforts and hiring goals.

When a project only uses local funds, the CDC would be able to mandate a local hiring component for projects. However, stringent requirements may add costs to these affordable housing projects. Developers loathe to increase project costs because the California Tax Credit Allocation Committee limits costs that are added to a project's tax credit basis. Additionally, until now, local hire programs have not applied to all projects, and many developers are unfamiliar with the requirements of such programs and tracking methods. It would be advisable to introduce a local hire program in a measured fashion, enabling the local developers to better incorporate such a program into operations. Finally, the CDC currently tracks Section 3 compliance for federally-funded projects and introducing another employment tracking requirement may be overly burdensome. Instead, the CDC should incorporate Section 3 and the County's local hire components into one hiring program requirement and set best effort goals for all projects so multiple hiring practices do not need to be established when funding sources change. This should also

apply to the Housing Authority of the County of Los Angeles (HACOLA) projects which, due to their HUD funding, are also subject to Section 3 compliance.

To establish the basis of income eligibility criteria for the County's mandatory Local Worker Hiring Program, the team recommends the use of federal Poverty Level (FPL) data. This is the standard currently utilized to determine benefit program eligibility by other County departments, such as the Department of Public Social Services. The local worker policy would utilize qualifying ZIP Codes where the average percentage of households living below 200 percent of the FPL is greater than the County average for such households.

In assessing the thresholds, the team evaluated construction projects contracted by Public Works, between November 2014 and November 2015, to identify opportunities where implementation of local worker requirements could provide additional benefits above and beyond the Board-directed scope. This assessment identified that projects between the \$500,000 and \$2.5 million threshold could provide additional opportunities for County residents to economically benefit from the construction of County infrastructure. This would expand the influence of the program to include approximately 93 percent of capital improvement dollars.

With the establishment of a Countywide program that applies to all County departments, commissions, and agencies delivering projects, it is also appropriate to establish central oversight of the program, while departments, commissions, and agencies are responsible for reporting and compliance activities. An oversight structure will be proposed as part of the action seeking approval of the policy.

### Recommendations

The specific recommendations for the County's Local Worker Hiring Policy (LWHP) are as follows:

**Consolidation of Local Worker Hiring Policies** - Combine the County's existing local worker hiring policies into a new single policy applicable to all departments, commissions, and agencies delivering County capital and construction projects with a project budget in excess of \$2.5 million.

### **Local Worker Hiring Requirement -**

- For all projects with a project budget greater than \$2.5 million, with the exception of affordable housing projects, at least 30 percent of total California construction labor hours worked on each project must be performed by a qualified local resident. Where allowable, contractors shall be encouraged to achieve higher participation levels for local residents.

- For all projects with a project budget of \$500,000 to \$2.5 million, with the exception of affordable housing projects, there shall be a good-faith local resident hiring goal of 30 percent.
- For affordable housing projects and mixed-use affordable housing projects that include County-funded facilities receiving funds administered by CDC, and HACOLA projects, all having a project budget greater than \$2.5 million, there shall be a good-faith local worker hiring goal of 30 percent of total California construction labor hours. Exceptions for projects in jurisdictions enforcing their own local hiring policy and for projects with federal or State funding prohibitions on geographic preferences will be established on a case-by-case basis. This would also apply to other County-funded affordable housing programs, such as the Mental Health Services Act administered by the Department of Mental Health (Mental Health).

**Definition of Local Resident** - A local resident is defined as an individual living within the Tier 1 or Tier 2 ZIP Codes of the County. Before employing worker(s) from Tier 2 ZIP Codes, the available pool of local residents whose primary place of residence is within Tier 1 ZIP Codes must first be exhausted. Tier 1 means ZIP Codes within 5 miles of the proposed project site, and where the average percentage of households living below 200 percent of the FPL is greater than the County average for such households. Tier 2 means any ZIP Codes within the County where the average percentage of households living below 200 percent of the FPL is greater than the County average for such households. This definition shall also apply to affordable housing projects.

**Disadvantaged Worker Hiring Requirement -**

- For all projects, except affordable housing projects, at least 10 percent of total California hours worked on each project valued at greater than \$2.5 million shall be performed by County residents classified as a disadvantaged worker as described in the proposed policy. Hours worked by a disadvantaged worker who is also a local resident may be applied towards the 30 percent local resident goal.
- For affordable housing projects and mixed-use affordable housing projects that include County-funded facilities receiving funds administered by CDC and HACOLA, all having a project budget greater than \$2.5 million, there will be a disadvantaged worker hiring goal of 10 percent of total California construction labor hours. Exceptions for projects in jurisdictions enforcing their own local hiring policy, and for projects with federal or State funding prohibitions on geographic preferences will be established on a case-by-case basis. This would also apply to other County-funded affordable housing programs, such as the Mental Health Services Act administered by Mental Health.

**Definition of Disadvantaged Worker** - A disadvantaged worker is a resident of the County who (1) has a documented annual income at or below 100 percent of the FPL, or

(2) has other indices of career-limiting circumstances, specifically, one or more of the following: (a) no high school diploma or GED; (b) a history of involvement with the criminal justice system; (c) protracted unemployment; (d) is a current recipient of government cash or food assistance benefits; (e) is homeless or has been homeless within the last year; (f) is a custodial single parent; (g) is a former foster youth; or (h) is a veteran, or is the eligible spouse of a veteran of the United States armed forces, under Section 2(a) of the Jobs for Veterans Act (38 U.S.C.4215[a]).

**Project Funding Source Constraints** - At the initial stages of the project establishment, an analysis of funding source constraints shall be performed to ensure project eligibility for local worker hiring requirements.

**Management of the Local Worker Hiring Program** - CEO shall have oversight responsibility of the consolidated Countywide program, while departments and agencies implementing the project remain responsible for reporting and compliance activities.

This office will return to the Board to seek approval of the above recommended Countywide policy, and to rescind the previously enacted Local Worker Hiring policies for Job Order Contracts and for Veterans. If you have any questions, please contact David Howard of my office at (213) 893-2477, or via email at [dhoward@ceo.lacounty.gov](mailto:dhoward@ceo.lacounty.gov), or Massood Eftekhari of Public Works at (626) 458-4016, or via email at [meftek@dpw.lacounty.gov](mailto:meftek@dpw.lacounty.gov).

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